

February 9, 2000

Inquiry Into Implementation of
35-A M.R.S.A. §7104-B
(Telecommunications Education Access Fund)

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Order we begin an inquiry to gather information from interested persons about how the Commission should implement the recently enacted provisions related to a Telecommunication Education Access Fund. We invite interested persons to file written responses to a series of questions by March 14, 2000.

II. BACKGROUND

In May 1995, the Commission directed Bell Atlantic – Maine (then referred to as NYNEX) to use up to \$4 million per year for five years to “reduce rates and/or provide additional services or equipment to schools and libraries.” The Commission directed NYNEX, in consultation with other interested parties, to submit a proposal on how to achieve that objective. *Frederic Pease et. al v. New England Telephone and Telegraph Co. d/b/a NYNEX*, Docket No. 94-254 (May 15, 1995) Order at 58-59.

In January 1996, the Commission approved a plan to provide access to information networks and services to public libraries and schools. *Id.* Order (Jan. 5, 1996). The program successfully connected virtually every qualified school and library to the internet by December 1997. In July 1999, the Commission extended the operation of the program through June 2001. *Public Utilities Commission, NYNEX School and Library Project*, Docket No. 96-900 (July 13, 1999).

In June 1999, the Governor signed into law new legislation (effective September 18, 1999) directing the Commission to establish a Telecommunications Education Access Fund (Fund). All carriers offering telecommunications services in the state will contribute to the fund, in an amount not to exceed 0.5% of retail charges, as determined by the Commission.

The Fund may be used to provide discounts for: telecommunication services; internet access; internal connections; computers; and training. A minimum of 25% of each annual budget must be targeted towards projects that are “innovative and

technologically advanced.” 35-A M.R.S.A. §7104-B (5). Schools and libraries must first apply for any available federal discounts (Federal “E-Rate” program) before using discounts from the Fund. The assessment for the Fund can begin no earlier than July 1, 2001.

We begin this inquiry now because the new program should be largely designed by September 2000, even though schools and libraries will not begin receiving discounts until July 2001. Because schools and libraries must apply for federal funds for any services eligible for E-Rate, it will be necessary for them to file their E-Rate applications in the Fall of 2000 for federal funds available July 2001.

III. PROCESS

In this inquiry we seek initial views on how a program could be structured under the provisions of 35-A M.R.S.A. §7104-B. After receiving answers to these questions we will decide what further steps are necessary to implement the program.

IV. ISSUES TO BE ADDRESSED

1. Assessment

35-A M.R.S.A. §7104-B(3) limits the amount collected for the Fund to no more than 0.5% of retail charges for telecommunications services as determined by the Commission, excluding interstate tolls or interstate private line services. This section further provides that the funds be collected in a competitively neutral manner, be integrated with any state universal service fund, be explicitly identified on a customer’s bill, and be assessed no earlier than July 1, 2001. Using 1998 figures, the most recent for which intrastate revenues are available (1999 figures will be available by the end of April 2000), 0.5% of in-state revenues equals about \$2.8 million. It seems likely that for 2001, \$3 - \$4 million would be available for the Fund.

1a. How should the Commission determine the percentage to be collected for the Fund given that the statute allows “up to 0.5%” to be collected.?

1b. Should the Commission assess intrastate carriers and wireless carriers for the Fund in the same manner in which it makes the annual assessment used to fund the Commission (i.e., every May 1 the Commission would bill each carrier 0.5% of the previous year’s intrastate gross operating revenues, with the amount due by July 1)?

1c. If the method in 1b. is used, how should the carriers identify the amounts assessed on the customer’s bill?

1d. Instead of an annual assessment, should carriers bill customers 0.5% monthly, and turn this amount over to the Fund monthly (in the same manner they collect sales tax)? If this method is used, would the program have sufficient funds to start July 1, 2001?

1e. Should any funds remaining in June 2001 from the current Bell Atlantic MSLN project (currently expected to be about \$8 million) be rolled into the Fund and serve as the funding to start the first year of the program?

1f. What administrative costs would carriers incur in collecting and turning over the funds monthly? Should carriers be permitted to recover these costs? If so, how?

2. Type of Connections

The MSLN initially made one type of connection available to all schools and libraries (56 kbps Frame Relay) with the option of choosing another type of connection if the site made up the difference in cost. There were 1038 sites that chose the standard 56 kbps Frame Relay Service option and 121 chose to accept the alternative equivalent value and apply it to a different type of connection. Since that time, the project has also provided T1s for schools demonstrating a need and has provided financial assistance toward ATM. Currently 762 sites use 56 kbps Frame Relay; 119 AEV; 255 T1s; and 19 ATM.

2a. Should any new program emphasize "local choice" over a prescribed list of options? What advantages/disadvantages exist with each alternative approach?

2b. Should the new program be designed so that sites that find their existing 56 kbps connection sufficient can continue to receive the connection for free or at a nominal monthly charge?

3. Internet Provider

The current program provides internet service to all sites (except AEV). The internet service is provided through a contract with the University of Maine (which in turn subcontracts for this service).

3a. Should each site choose its own internet service provider under the new program? Is this required so that sites can obtain the Federal E-Rate discount for internet service?

3b. What are the downsides of not having a single internet service provider for all schools and libraries? What are the benefits of sites being able to choose their own provider? Are there advantages to using multiple internet access points?

3c. As part of its contract, the University of Maine currently provides technical assistance over the telephone. Should such a service continue? How could such a service be provided if the sites are choosing a variety of options for internet service?

4. Training

The MSLN made available a basic level of training for users and technical coordinators by offering a series of workshops statewide, over the first two years of the project. In years 3 and 4, MSLN has made available three "circuit riders" to troubleshoot individual site problems. The centralized training was a major undertaking and it was sometimes difficult to reach all areas of the state.

4a. Should some of the Fund be used for centralized training or circuit riders?

4b. Should training grants be available to allow individual sites to design their own training offerings (e.g. in-service training days with a consultant; participation in local training opportunities at technical colleges universities or with other trainers etc.)?

4c. What amount, if any should be used for training? How can the need for training be determined?

5. Computers

The current program provided one computer for every school or library that had no computer.

5a. What amount, if any, should be designated for computers? On what basis would such funding be distributed?

6. Internal Connections

The current program provided no funding for internal wiring. Discounts for internal wiring are available through E-Rate.

6a. What amount, if any, should be designated for internal wiring? On what basis would such funding be distributed?

7. Funding of Projects that are Innovative and Technologically Advanced

The statute requires that 25% of the annual program budget be devoted to innovative and technologically advanced projects (e.g., for a \$4 million dollar fund, \$1 million would be used for this purpose). The guidelines also direct the Commission to

allocate the funds to ensure that more technologically sophisticated equipment is available to students in grades 9 to 12 and in larger qualified libraries.

7a. Would providing grants for high schools and libraries to obtain ATM meet these requirements? The current MSLN provides \$358 a month for sites choosing ATM. Should that credit continue to be provided?¹

7b. How else could these statutory requirements be met?

7c. What entity should decide whether a project is “innovative and technologically advanced?” Should sites be permitted to submit proposals for funding projects they believe meet the definition? What criteria should be used for determining if they are innovative and technologically advanced?

8. Administration

Bell Atlantic handles the day-to-day administration of the current program, with oversight by the Commission.

8a. What entity could/should administer (i.e. bill, receive, account and distribute) the Fund? What is the likely cost of such administration?

8b. Should the Maine Fund be administered as an additional discount based on the Federal discount? For example, if a site applies for a discount for a T-1 connection and internet service, or cable roadrunner-type service, should the Maine program offer an additional percentage discount in addition to the Federal discount? How should the level of state discount be determined?

8c. Could the program be administered so a site simply submits a copy of its federal application for state review, obviating the need for a dual application process? Note: If state funds are available for items not covered by Federal E-Rate (training, computers), a separate process would be required for those items.

9. Oversight

Currently, the Commission oversees the MSLN program with advice and recommendations from an advisory board. The MSLN Advisory Board includes representatives of the following: Commission Staff (2); Public Advocate; State Library;

¹ Estimated cost of providing support for ATM: \$358 per month for 125 sites = \$537,000, Internet service @ \$500 per site assuming 60% Federal discount = \$300,000. Total annual cost: \$837,000.

Department of Education; Bell Atlantic; Independent Telephone Companies; Internet Service Providers; and Cable Industry. The Board meets every six weeks in meetings open to the public, with information about its activities posted on the PUC website.

9a. Should the Commission continue to rely on an Advisory Board for advice and recommendations in administering the Fund?

9b. Should the membership of the Board be changed or expanded? If so, how?

V. CONCLUSION

Interested persons should file comments in writing to the Commission's Administrative Director at the Public Utilities Commission, 242 State Street, 18 State House Station, Augusta, Maine 04333-0018 by March 14, 2000. Please include the docket number. If responding to specific questions in this Order, we appreciate commenters including the number of the question. Commenters are encouraged to address any additional relevant areas that may not have been included in these questions.

A copy of this Order will be posted on the Commission website at <http://janus.state.me.us/mpuc>. The Administrative Director will send copies to all carriers of telecommunications services in the state and the service list for Docket No. 96-900. The State Library and Department of Education have agreed to send copies by e-mail to schools and libraries.

Dated at Augusta, Maine, this 9th day of February, 2000.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
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Diamond